Banner Program Codes and NACUBO Function Assignment

Western University of Health Sciences (University) is subject to accounting and reporting requirements that requires the reporting of expenses in accordance with the purpose for which they are incurred. This process is referred to as functional expense allocation and is one of the more challenging areas in preparing our financial statements. Expenses are grouped in functional categories as either program or supporting service expenses. Supporting service expenses are further broken down into the categories of management and general (administrative) and fundraising. Expenses are directly applied to one of these functional categories based on the departmental purpose or structure.

An understanding of the different functional categories is crucial to an accurate functional allocation plan. The functional categories can be summarized as follows:

- **Program Service Expenses** – These are costs related to providing University programs and services in accordance with our defined mission. Established nonprofit organizations’ program service expenses generally represent the majority of the overall expense of the organization.
- **Management and General** – These are costs related to administering the day-to-day activities of the University. These expenses do not directly relate to the purpose for which the University exists and typically includes activities such as bookkeeping, management, and governance.
- **Fundraising** – These are costs of all activities that relate to an appeal for financial support or for a contribution to the University. Examples of these expenses are the costs of holding a fundraising event, solicitation of contributions and salary of individuals involved in the fundraising process.

Before the University can perform a functional allocation, end users need to understand the importance of reporting of expenses on a functional basis. While budget managers are generally concerned with natural classification of expenses (salary, office expense, travel, etc.) for their departments, users of the financial statements, such as potential donors, funding sources, regulators, and the governing board, are interested in understanding the relationship between the University’s program expenses and its supporting expenses.

**Banner Program Code Design**

The “Program” code segment of the Banner FOAPAL accounting string was designed to identify the “function” of the activity according to standard definitions developed by the National Association of College and University Business Officers (NACUBO) for higher education operating activity. These NACUBO function expenditure categories are used in the preparation of various financial and activity-related reports and computations that include the following:
• Annual audited financial statements;

• Integrated Postsecondary Education Data System (IPEDS) reporting, which is used for benchmarking by higher education institutions and the federal government;

• Preparation of the University’s IRS reporting;

• Reporting to major research sponsors.

Our ability to accurately report University activities to funding entities and therefore, receive needed appropriations, recover costs, and assess overhead depends upon accurate Program code assignment.

**Western University of Health Sciences** uses the Banner Program code hierarchy functionality to assign the appropriate NACUBO function for a given current FOAPAL accounting string with a default program code depending on the entire department’s activities. In most cases, your department as a whole determines the program that is used based on its overall function. However, there are occasions the default program should be changed to reflect the proper activity. Generally when funds are transferred for reasons other than reclassification, the same account number and program number should be used. Example: If funds are to be transferred for research purposes, program 20 should be used in both parts of the FOAPAL.

When assigning Program codes to Banner FOAPAL accounting strings, users must assure that the Program code represents the correct NACUBO function of the activity being recorded. The following list as published by NACUBO, together with the corresponding Banner Program codes are used in our system. Departments should contact the Business Office if specific questions arise that are not addressed in these summary definitions.

**Banner Program Codes**

10 Instruction
20 Research
30 Academic Support
40 Student Services
50 Institutional Support
60 Operations and Maintenance of Plant
70 Scholarships and Fellowships
80 Auxiliary Operations
90 Other
Function Code Definitions Published by NACUBO

10 – Instruction

The instruction category includes formally organized and/or separately budgeted activities that are part of the University's instruction program to communicate educational content, including general academic, vocational/technical, special session, community education and preparatory/remedial activity. This would include expenditures for all activities that are part of an institution’s instruction program, such as expenditures for: credit and noncredit courses; academic, vocational, and technical instruction; teaching assistants; remedial and tutorial instruction; regular, special, and extension sessions; and lectureships. However, this would exclude expenses for academic program administration (e.g., academic deans), except where instructional activities constitute an important role of the administrator.

See below for further details and explanations on the sub-categories that are included under this function code:

General Academic Instruction – This subcategory includes expenses for formally organized and/or separately budgeted instructional activities that are carried out during the institution’s defined academic year which are offered for credit as part of a formal post-secondary education degree or certificate program. However, this category does not include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

Vocational/Technical Instruction – This subcategory includes expenses for formally organized and/or separately budgeted instructional activities that are carried out during the institution’s defined academic year which are offered for credit as part of a formal post-secondary education degree or certificate program. However, this category does not include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

Community Education - This subcategory includes expenses for formally organized and/or separately budgeted instructional activities that do not generally result in credit toward any formal postsecondary degree or certificate. It includes noncredit instructional offerings carried out by the institution’s extension division as well as noncredit offerings that are part of the adult education or continuing education program. This subcategory also includes expenses for activities associated with programs leading toward a degree or certificate at a level below the higher education level, such as adult basic education. However, this subcategory would not include cooperative extension services, or other items covered under the Public Service NACUBO function.

Preparatory/Remedial Instruction - This subcategory includes expenses for formally organized and/or separately budgeted instructional activities that give students the basic knowledge and skills required by the institution before they can undertake formal academic course work leading to a postsecondary degree or certificate. Such activities, supplemental to the normal academic program, generally are termed preparatory, remedial, developmental, or special educational services. These instructional offerings may be taken prior to or along with the course work leading to the degree or certificate. They are generally noncredit offerings, although in some cases credit may be provided specifically for required preparatory or remedial skills or knowledge, and should be included in this category. If students may satisfy
preparatory requirements by taking offerings provided primarily for other than remedial or preparatory purposes, those offerings should be classified elsewhere.

**Instructional Information Technology** – This subcategory includes expenses for formally organized and/or separately budgeted instructional information technology.

20 – Research

The research category includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. This category would include expenses for scientific, technical, and humanistic investigation. This includes institutes and research centers as well as individual and/or project research. Expenditures may include, but are not limited to: research equipment; research assistant expenses (e.g., payroll costs for research assistants; citizenship costs such as a VISA for research assistants who are non-residents); research supplies; and travel to conferences related to specific areas of research.

See below for further details and explanations on the sub-categories that are included under this function code:

**Institutes and Research Centers** - This subcategory includes expenses for research activities that are part of a formal research organization created to manage a number of research efforts. While this subcategory includes agricultural experiment stations, it does not include federally funded research and development centers, which, for public institutions, should continue to be classified as independent operations.

**Individual and Project Research** - This subcategory includes expenses for research activities that are managed within academic departments. Such activities may have been undertaken as the result of a research contract or grant or through a specific allocation of the institution’s general resources.

**Research Information Technology** - This subcategory includes expenses for formally organized and/or separately budgeted research information technology.

30 – Academic Support

The academic support category includes expenses incurred to provide support services for the University's primary missions: instruction and research. This classification includes the provision of resources that assist the primary missions, but are not appropriately classified in the other categories. Expenditures may include, but are not limited to: educational materials; expenses related to the retention, preservation, and display of educational materials in libraries; museums and galleries; the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college; media (e.g., audio-visual services) and technology services (e.g., computing support); development of programs and curricula; publications; conferences, seminars and workshops; academic administration (including academic deans but not department chairpersons) and personnel development providing administration support and management direction to the primary missions; faculty fellowships; faculty awards/prizes; faculty chairs; faculty professorships; and development of academic personnel skills.
See below for further details and explanations on the sub-categories that are included under this function code:

**Libraries** - This subcategory includes expenses for organized activities that directly support the operation of a catalogued or otherwise classified collection.

**Museums and Galleries** – This subcategory includes expenses for organized activities that provide for the collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc. Libraries are excluded.

**Educational Media Services** – This subcategory includes expenses for organized activities providing audiovisual and other services that aid in the transmission of information in support of the institution’s instruction, research, and public service programs.

**Academic Support Information Technology** – This subcategory includes expenses for formally organized and/or separately budgeted academic support information technology.

**Ancillary Support** – This subcategory includes expenses for organized activities that provide support services to the primary programs of instruction and research but are not appropriately classified in the previous subcategories. Ancillary support activities usually provide a mechanism through which students can gain practical experience. An example of ancillary support is a demonstration school associated with a school of education. The expenses of teaching hospitals are excluded.

**Academic Administration** – This subcategory includes expenses for activities specifically designed and carried out to provide administrative and management support to the academic programs. This subcategory is intended to separately identify expenses for activities formally organized and/or separately budgeted for academic administration. It includes the expenses of academic deans (including deans of research, deans of graduate schools, and college deans), but it does not include the expenses of department chairpersons (which are included in the appropriate primary function categories). The subcategory also includes expenses for formally organized and/or separately budgeted academic advising. Expenses associated with the office of the chief academic officer of the institution are not included in this subcategory, but should be classified as institutional support.

**Academic Personnel Development** – This subcategory includes expenses for activities that provide the faculty with opportunities for personal and professional growth and development to the extent that such activities are formally organized and/or separately budgeted. This subcategory also includes formally organized and/or separately budgeted activities that evaluate and reward professional performance of the faculty. Included in this subcategory are sabbaticals, faculty awards, and organized faculty development programs.

**Course and Curriculum Development** – This subcategory includes expenses for activities established either to significantly improve or to add to the institution’s instructional offerings, but only to the extent that such activities are formally organized and/or separately budgeted.
40 – Student Services

The student services category includes expenses incurred for offices of admissions and the registrar and activities with the primary purpose of contributing to the students’ emotional and physical well-being and intellectual, cultural and social development outside the context of the formal instruction program. Expenditures may include, but are not limited to: student activities; cultural events; student newspapers; intramural athletics; student organizations; intercollegiate athletics (if the program is not operated as an essentially self-supported activity); counseling and career guidance (excluding informal academic counseling by the faculty); student aid administration; and student health services (if not operated as an essentially self-supported activity).

See below for further details and explanations on the sub-categories that are included under this function code:

**Student Services Administration** – This subcategory includes expenses for organized administrative activities that provide assistance and support (excluding academic support) to the needs and interests of students. This subcategory includes only administrative activities that support more than one subcategory of student activities and/or that provide central administrative services related to the various student service activities. In particular, this subcategory includes services provided for particular types of students (for example, minority students, veterans, and handicapped students). Excluded from this subcategory are activities of the institution’s chief administrative officer for student affairs, whose activities are institution wide and therefore should be classified as institutional support.

**Social and Cultural Development** – This subcategory includes expenses for organized activities that provide for students’ social and cultural development outside the formal academic program. This subcategory includes cultural events, student newspapers, intramural athletics, student organizations, etc. Expenses for an intercollegiate athletics program are included in this subcategory if the program is not operated as an essentially self-supporting operation (in which case all the related expenses would be reported as auxiliary enterprises).

**Counseling and Career Guidance** – This subcategory includes expenses for formally organized placement, career guidance, and personal counseling services for students. This subcategory includes vocational testing and counseling services and activities of the placement office. Excluded from this subcategory are formal academic counseling activities (academic support) and informal academic counseling services (instruction) provided by the faculty in relation to course assignments.

**Financial Aid Administration** – This subcategory includes expenses for activities that provide financial aid services and assistance to students. This subcategory does not include outright grants to students, which should be classified as either revenue reductions, agency transactions, or expenses, as discussed elsewhere in this manual.

**Student Admissions** – This subcategory includes expenses for activities related to the identification of prospective students, the promotion of attendance at the institution, and the processing of applications for admission.

**Student Records** – This subcategory includes expenses for activities to maintain, handle and update records for currently enrolled students as well as for students previously enrolled.
**Student Health Services** – This subcategory includes expenses for organized student health services that are not self-supporting; health services that are self-supporting are reported as auxiliary enterprises.

**Student Services Information Technology** – This subcategory includes expenses for formally organized and/or separately budgeted student services information technology.

**50 – Institutional Support**

The institutional support category includes expenses for central, executive-level activities concerned with management and long-range planning for the entire institution and assistance and support for the administration and operation of the University or a given campus as a whole, as opposed to support of specific programs or units. This includes University or campus-wide executive management (governing board, planning, programming, legal functions), fiscal services (investment, financing, business, and audit functions), general administrative and logistical services (human resources, space management, employee personnel and records, procurement, parking, transportation, communications, stores, printing/photographic, and safety functions), administrative computing services, constituency relations (community, alumni, governmental, development and fund raising relations).

See below for further details and explanations on the sub-categories that are included under this function code:

**Executive Management** – This subcategory includes expenses for all central, executive-level activities concerned with management and long-range planning for the entire institution (as distinct from planning and management for any one program within the institution). All officers with institution-wide responsibilities are included, such as the president, chief academic officer, chief business officer, chief student affairs officer, and chief development officer. This subcategory includes such operations as executive direction (for example, governing board), planning and programming operations, and legal operations.

**Fiscal Operations** – This subcategory includes expenses for operations related to fiscal control and investments. It includes the accounting office, bursar’s office, and external audits. Interest expense on working capital loans is recorded with other interest expense and is not recorded as institutional support. In addition, bad debt expense for student and other accounts receivables is recorded as a reduction in the specific revenue source rather than as an expense.

**General Administration** – This subcategory includes expenses for activities related to general administrative operations and services (with the exception of fiscal operations and administrative information technology). Included in this subcategory are personnel administration, space management, purchasing and maintenance of supplies and materials, campus-wide communications and transportation services, general stores, and printing shops.

**Administrative Information Technology** – This subcategory includes expenses for formally organized and/or separately budgeted administrative information technology. If an institution does not separately budget and expense information technology resources, the costs associated with the three primary programs will be applied to academic support and the remainder to this category.
Public Relations/Development – This subcategory includes expenses for activities to maintain relations with the community, alumni, or other constituents and to conduct activities related to institution-wide development and fund raising. If certain criteria, namely purpose, audience and content, are met, the costs of the activity should be allocated between fundraising and the appropriate program or management and general function. If all of the criteria are not met, then the entire amount is classified as fund raising costs. In addition certain disclosures are required.

60 – Operation and Maintenance of Plant

The operation and maintenance of plant category includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution’s physical plant. Expenditures may include, but are not limited to: operations established to provide services and maintenance to grounds and facilities; plant expansion, modification or new construction; routine and preventative repairs and maintenance; landscape and grounds; utilities; custodial services; fire protection; property insurance; hazardous waste disposal; central receiving; disaster preparedness; space and capital leasing; and similar items.

See below for further details and explanations on the sub-categories that are included under this function code:

Physical Plant Administration – This subcategory includes expenses for administrative activities that directly support physical plant operations. Activities related to the development of plans for plant expansion or modification, as well as plans for new construction, should be included in this subcategory. Also included are property, liability, and all other insurance relating to property.

Building Maintenance – This subcategory includes expenses for activities related to routine repair and maintenance of buildings and other structures, including normally recurring repairs and preventive maintenance.

Custodial Services – This subcategory includes expenses related to custodial services in buildings.

Utilities – This subcategory includes expenses related to heating, cooling, light and power, gas, water, and any other utilities necessary for operation of the physical plant.

Landscape and Grounds Maintenance – This subcategory includes expenses related to the operation and maintenance of landscape and grounds.

Major Repairs and Renovations – This subcategory includes expenses related to major repairs, maintenance, and renovations. Minor repairs should be classified as building maintenance. The institution should define the distinction between major repairs and minor repairs. Costs that will be capitalized in accordance with the institution’s capitalization policy are excluded.

Security and Safety – This subcategory includes expenses related to security; disaster preparedness; safety, including environmental safety; and hazardous waste disposal.

Logistical Services – This subcategory includes expenses related to logistical services such as central receiving as well as space and capital leasing.
Operations and Maintenance Information Technology – This subcategory includes expenses for formally organized and/or separately budgeted operation and maintenance information technology. If an institution does not separately budget and expense information technology resources, the costs associated with the three primary programs will be applied to academic support and the remainder to institutional support.

70 – Scholarships and Fellowships

The scholarships and fellowships category includes expenses for scholarships and fellowships—from restricted or unrestricted funds—in the form of grants to students, resulting from selection by the institution or from an entitlement program. The category also includes trainee stipends, prizes, and awards. Trainee stipends awarded to individuals who are not enrolled in formal course work should be charged to instruction, research, or public service. Recipients of grants are not required to perform service to the institution as consideration for the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the Federal Work-Study program, charges should be classified as expenses of the department or organizational unit to which the service is rendered. Aid to students in the form of tuition or fee remissions also should be included in this category. However, remission of tuition or fees granted because of faculty or staff status, or family relationship of students to faculty or staff, should be recorded as staff benefits expenses in the appropriate functional expense category.

See below for further details and explanations on the sub-categories that are included under this function code:

Scholarships – Scholarships are classified as resources restricted to provide financial support to undergraduate, graduate, and/or professional students based on academic achievement, need, or other criteria. Typically, this sub-category includes grants-in-aid, trainee stipends, and tuition and fee waivers to undergraduate students. Typically, scholarships are restricted for and awarded to undergraduate and professional students, but it is also allowable to award scholarships to graduate students (unless prohibited by any applicable guidelines). Scholarships include outright financial aid, trainee stipends, and tuition and fee waivers which are used to aid students in the pursuit of their studies (i.e., these payments are typically used by the students to offset educational expenses such as tuition, fees, room & board, books, school supplies, etc.). Recipients of scholarships are not expected to render services to the institution as a consideration for their scholarship, nor are they expected to repay their scholarships.

Fellowships – Fellowships are classified as resources restricted to provide financial aid and trainee stipends to graduate students to aid in the individual’s pursuit of study or research. Typically, this sub-category includes grants-in-aid and trainee stipends to graduate students. Fellowships are a common form of aid typically awarded to graduate students, and recipients of fellowships are not expected to render service to the institution as consideration for their fellowship, nor are they expected to repay their fellowship award. Thus, fellowships do not include funds for which services to the institution must be rendered, such as assistantships or payments for teaching, which both require performance or service on the part of the individual.

Prizes/Awards – Resources restricted to provide a direct financial payment to graduate, undergraduate, and/or professional students based on achievement, performance or other criteria. These awards/prizes are
made in the form of a direct monetary payment to the student, and are not related to employment services. Typically, unless otherwise stated in any applicable guidelines, there are no restrictions on how the student can use the award money (i.e., this money can be used by the student for any purpose; it is not limited to strictly educational expenses), and these award payments are typically the result of an award/payment issued to a student as a result of the student’s performance in some sort of competition or contest. These payments to the students would typically be considered taxable income to the student.

80 – Auxiliary Enterprises

Auxiliary enterprises are operations that provide goods or services to students, faculty, or staff and that charge a fee for those services. An auxiliary enterprise exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed as an essentially self-supporting activity. Examples are residence halls, food services, intercollegiate athletics (only if essentially self-supporting), college stores, faculty clubs, parking, and faculty housing. Student health services, when operated as an auxiliary enterprise, also are included. Hospitals, although they may serve students, faculty, or staff, are classified separately because of their financial significance.

The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises, including expenses for operation and maintenance of plant, depreciation (if allocated to functional expense categories) and administration. Also included are other direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments or units. To ensure that data regarding individual auxiliary enterprises are complete and adequate for management decisions, cost data should be prepared using full costing methods. Full costing means that the costs attributed to each enterprise includes a portion of indirect costs related to that enterprise, as well as the costs directly attributable to its operation.

See below for further details and explanations on the sub-categories that are included under this function code:

Auxiliary Enterprises—Student – This subcategory includes expenses for auxiliary enterprise activities primarily intended to furnish services to students. A student health service, when operated as an auxiliary enterprise, is included. However, intercollegiate athletics are excluded from this category.

Auxiliary Enterprises—Faculty/Staff – This subcategory includes expenses for auxiliary enterprise activities primarily intended to provide a service to the faculty, staff or both. Such activities include the faculty club, faculty-staff parking, and faculty housing.

Auxiliary Enterprises—Other – This subcategory includes expenses for auxiliary enterprise activities primarily intended to furnish goods and services that are related to the higher education mission. Customers for these goods and services generally are not students, faculty, or staff. Entities of this type are formed to meet the geographic and public service needs of a region and generally relate to an institution’s mission of teaching, research, or public service. Examples of such an entity would be a drug testing center or a university press department.
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Hospitals

The hospital category includes all expenses associated with the patient care operations of a hospital, including nursing and other professional services, general services, administrative services, fiscal services, depreciation (if allocated to functional expense categories) and charges for physical plant operations. Also included are other direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments and units. Expenses for activities that take place within the hospital, but that are categorized more appropriately as instruction or research, are excluded from this category and accounted for in the appropriate categories.

See below for further details and explanations on the sub-categories that are included under this function code:

Direct Patient Care – This subcategory includes expenses for direct patient care such as prevention, diagnosis, treatment, and rehabilitation. Patient care activities solely for the benefit of the institution’s students should be classified as student services.

Health Care Supportive Services – This subcategory includes expenses for organized activities that are unique to a teaching hospital, health services center, or clinic, and that directly support the provision of health care but cannot be considered part of the provision of direct patient care. Included in this subcategory are such activities as the pharmacy, blood bank, and X-ray services.

Administration of Hospitals – This subcategory includes expenses for both the day-to-day functioning and the long-range viability of the hospital, excluding physical plant operations.

Physical Plant Operations for Hospitals – This subcategory includes expenses for activities related directly to maintaining the grounds and facilities of a hospital as well as providing utility services.

Public Service – Currently there are no public services identified

The public service category includes expenses for activities established primarily to provide non-instructional services which are beneficial to individuals and groups external to the institution. This includes community service programs (excluding instructional activities) and cooperative extension services. Expenditures may include, but are not limited to: conferences, seminars and workshops; institutes; general advisory services; reference bureaus; publications; public broadcasting services (e.g., for radio and television); consulting; testing services (e.g., soil testing); and other similar non-instructional services to particular sectors of the community.

See below for further details and explanations on the sub-categories that are included under this function code:

Community Service – This subcategory includes expenses for activities organized and carried out to provide general community services, excluding instructional activities. Community service activities make available to the public various resources and special capabilities that exist within the institution. Examples include conferences and institutes, general advisory services and reference bureaus,
consultation, testing services (for example, soil testing, carbon dating, structural testing), and similar activities. The activities included in this subcategory are generally sponsored and managed outside the context of both the agricultural and urban extension programs and of the institution’s public broadcasting station.

**Cooperative Extension Service** – This subcategory includes expenses for non-instructional public service activities established as the result of cooperative extension efforts between the institution and outside agencies such as the U.S. Department of Agriculture’s extension service and the affiliated state extension services. This subcategory is intended primarily for land-grant colleges and universities and includes both agricultural extension and urban extension services. The distinguishing feature of activities in this subcategory is that programmatic and fiscal control is shared by the institution with the Department of Agriculture’s extension service, the related state extension services, and agencies of local government.

**Public Broadcasting Services** – This subcategory includes expenses for operation and maintenance of broadcasting services operated outside the context of the institution’s instruction, research, and academic support programs. Excluded from this subcategory are broadcasting services conducted primarily in support of instruction (classified in the subcategory ancillary support), broadcasting services operated primarily as a student service activity (classified in the subcategory social and cultural development), and broadcasting services that are independent operations (classified in the subcategory independent operations/institutional).

Public Service Information Technology – This subcategory includes expenses for formally organized and/or separately budgeted public service information technology.

**Independent Operations**

The independent operations category includes expenses that are independent or unrelated but may enhance the primary missions of an institution. This category generally is limited to expenses associated with major federally funded research laboratories. Excluded are expenses associated with property owned and managed as investments of the institution’s endowment funds.

See below for further details and explanations on the sub-categories that are included under this function code:

**Independent Operations/Institutional** – This subcategory includes separately organized operations owned or controlled by an institution but unrelated to, or independent of, the institution’s missions. This subcategory generally includes commercial enterprises operated by the institution but not established to provide services to students, faculty, or staff or to provide support to one or more of the institution’s missions. Activities operated as auxiliary enterprises (i.e., those established to provide a service to students, faculty, or staff and charging a fee related to the cost of the service) are excluded from this subcategory. Operations with commercial aspects that primarily support instruction, research, and/or public service (for example, hospitals and ancillary support activities) are excluded. Also excluded are activities operated as part of the institution’s endowment funds.
Stores and Services

NACUBO includes stores and services as a subcategory of “Auxiliary Enterprise, Auxiliary Enterprises—Other, and Other Self-Supporting Enterprises.”

Other Self-Supporting Enterprises – This subcategory includes activities that were established primarily to provide goods and services to other internal units on a fee for service basis.

The following characteristics assist in identifying these units:

• They are self-supporting units that operate on a break-even basis for those goods and services offered to other units.

• They could provide, to a lesser extent, the same goods and services to faculty, staff, students, and related entities.

• The goods and services are provided at an institutional level. This characteristic excludes enterprises that only serve units within the same department. For example, a telecommunications department that services the entire institution would be considered other self-supporting while the chemistry stores department that only services other chemistry units would be reported net within academic support under functional expense reporting.

• This classification does not preclude the current reporting practices for entities included in other functional categories.

• Expenses incurred under the subcategory Other Self-Supporting Enterprises should be netted against revenues since the predominance of transactions is internal.

Depreciation

Although NACUBO lists this as a separate function, Western University of Health Sciences records depreciation as a single amount in the plant fund for each college in total, rather than allocating it to operating units. Therefore, no program codes or hierarchy for depreciation have been established in Banner. The following is the NACUBO published definition for depreciation.

Depreciation expense should be calculated in accordance with the institution’s capitalization and depreciation policies. Depreciation expense is considered both a functional and natural expense classification under GASB Statements 34 and 35. In addition, when functional expenses are reported in the Statement of Revenues, Expenses and Changes in Net Assets, depreciation expense can be allocated to other functions such as instruction, research and student services, or allocated only to plant operation and maintenance expenses, or reported separately. When depreciation expense is reported as a functional expense, depreciation for all activities (educational and general, auxiliary enterprises and hospitals) may be combined and reported as one amount in the Statement of Revenues, Expenses and Changes in Net Assets, or it may be segregated between these activities if the Statement shows separate columns or other means to delineate expenses between these activities.

The allocation methodology may be either a simple or complex one such as a multiple allocation approach. Generally, depreciation expense for buildings may be allocated based on the usage of the
buildings. This is accomplished by a periodic inventory of the usage of the space in each building. Depreciation expense on equipment may be allocated to other functions based upon the location of the equipment and the use of that space. This is also accomplished through a periodic inventory of the equipment.

Presented in NACUBO’s published definitions under “Auxiliary enterprises:

**Auxiliary Enterprises—Depreciation** – This subcategory includes depreciation expense for facilities, equipment and infrastructure assets of the institution’s auxiliary enterprises if the institution chooses to allocate depreciation among its functional expense categories.

Presented in NACUBO’s published definitions under “Auxiliary enterprises:

**Depreciation of Hospital Facilities and Equipment** – This subcategory includes depreciation expense for facilities, equipment and infrastructure assets of the hospital if the institution chooses to allocate depreciation among its functional expense categories.

**Intercollegiate Athletics – not applicable**

NACUBO offers two options for recording intercollegiate athletics, one under Student Services and one under Auxiliary Enterprises. The University has opted to include this activity under Student Services, because a significant portion of its operations is supported by fundraising and donations rather than solely from sales of tickets and merchandise. The following description is included under Auxiliary Enterprises in NACUBO’s published definitions:

**Intercollegiate Athletics** – This subcategory includes expenses for an intercollegiate sports program when the program is operated in accordance with the definition of an auxiliary enterprise (essentially self-supporting).